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PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services

Report of the Secretary-General

Addendum

Institutional and administrative arrangements concerning the Office for Project Services

1. The Secretary-General's proposal for the transfer of the Office for Project Services of the United Nations Development Programme (UNDP/OPS) to the United Nations as a distinct semi-autonomous entity in the new Department for Development Support and Management Services (DDSMS) was originally submitted to the General Assembly in document A/C.5/47/88 (paras. 101-103).

2. In its comments on the proposal, 1/ the Advisory Committee on Administrative and Budgetary Questions welcomed the overall objective of the Secretary-General's proposal, which corresponded with the Advisory Committee's own repeated concerns about (a) the compatibility of the functions and location of OPS within UNDP with the latter's primary purpose as a central coordinating and funding mechanism; and (b) the question of duplication in the delivery of technical cooperation services. In its report, the Advisory Committee also indicated several issues to be dealt with and reported upon prior to the date of incorporation.

3. In its resolution 47/212 B of 6 May 1993, the General Assembly, in acting on the United Nations programme budget revised estimates, including the proposal regarding OPS, noted that the modalities, including relevant financial aspects of the proposed transfer, would first be considered by the UNDP Governing Council and subsequently by the Assembly in the light of a report of the Secretary-General and in the context of the review and approval of the United Nations programme budget for the biennium 1994-1995.

4. A task force, chaired by the Under-Secretary-General, DDSMS, and including representatives of UNDP, UNDP/OPS, the Executive Office of the Secretary-General, the Department of Administration and Management and the Office of Legal Affairs was established to review the procedures to be put in place for the transfer of OPS. The report of that body was approved by the Secretary-General and submitted to the UNDP Governing Council (DP/1993/70).

5. In its decision 93/42, the Governing Council accepted the outlined modalities for the transfer as set forth in the above-mentioned document, subject to several requirements specified in the decision and on the understanding that the modalities would be clarified further and solutions reached prior to the transfer taking place.

6. A report of the Secretary-General on institutional and administrative arrangements governing the transfer of OPS (A/48/502) was prepared in relation to the topics on which the Governing Council had requested information. The Advisory Committee considered the report of the Secretary-General and expressed its views on it. 2/ The Advisory Committee found that while substantial work and negotiation between the involved parties had taken place, it was of the opinion that a number of key issues remained to be worked out, which should be accomplished before the integration, lest the operations of OPS suffer. The Advisory Committee recommended that the date of integration be postponed to 1 January 1995, and that the Secretary-General resubmit a report when all pending issues were resolved at the inter-organizational level.

7. The Advisory Committee stated that it was aware of the importance and urgency of the OPS question and declared its readiness to take it up again at the earliest opportunity upon submission of the requested report. Subsequently two addenda to the report of the Secretary-General were prepared, on the organizational and budgetary arrangements for the proposed OPS (A/48/502/Add.1) and on financial regulations and rules to govern OPS activities and operations (A/48/502/Add.2). The Advisory Committee began consideration of this documentation on 7 December 1993, and received further written submissions and oral information on that date from the Under-Secretary-General for DDSMS and Chairman of the OPS Management Board, and by the Administrator of UNDP and the Under-Secretary-General of the Department of Administration and Management. The Advisory Committee was, however, unable to complete its review.

8. On 15 and 16 December, the Governing Council held informal consultations and a special session regarding OPS. In its decision 93/46, the Council underlined the importance it attached to assuring that the capabilities of OPS would not be affected adversely and that its efficiency, flexibility and cost-effectiveness would be further enhanced. The Council took note of the documentation presented, recommended that OPS remain with UNDP for an additional year, requested the OPS Management Board to clarify further the arrangements for transfer, and requested the Secretary-General to report to it as soon as possible on steps taken in accordance with decision 93/42 and the recommendations of the Advisory Committee on Administrative and Budgetary Questions. The Governing Council requested its President to inform the President of the General Assembly of the contents of the decision.

9. In further elaborating the arrangements for OPS on the basis of the comments made by the Advisory Committee and the Governing Council, particular attention has been given to the following four areas: (a) development of OPS-dedicated rules and procedures specially designed for business-type operations; (b) development of dedicated procurement arrangements to govern OPS operations; (c) refinement of administrative arrangements (e.g. personnel authority and responsibility, audit arrangements, central servicing arrangements); and (d) finalization of criteria for portfolio integration in order (i) to enable OPS to organize its work to include the project portfolio of DDSMS, and (ii) to determine the number of staff OPS will require from DDSMS to manage the combined portfolios, while assuring that costs are covered by the income generated by those projects.

10. Taking account of the comments of the Advisory Committee and the UNDP Governing Council, the Secretary-General submits herewith, in the annexes, the comprehensive institutional and administrative regime that would be applicable to the operations of OPS as at 1 January 1995. These arrangements have been worked out and endorsed by the UNOPS Management Board (consisting of the Administrator of UNDP, the Under-Secretary-General for Administration and Management and the Under-Secretary-General of DDSMS, with the participation of the Executive Director of UNOPS).

11. The annexes cover the following: functions, organization and reporting arrangements for UNOPS (annex I); financial arrangements (annex II); personnel arrangements (annex III); and the proposed administrative budget for 1995 (annex IV).

12. The necessary instruments (supplementary financial rules, Secretary-General's bulletin and administrative instructions, as appropriate) to put into effect the special dedicated regime applicable to OPS would be issued by the Secretary-General, following the review of those arrangements by the Advisory Committee, the Executive Board (formerly the Governing Council) of UNDP and the General Assembly.

13. The new framework of OPS operations in the United Nations, as set out in the annexes, is aimed at maintaining at least the same flexibility and efficiency of operations as OPS currently has in UNDP and, wherever possible, enhancing them so as to better meet the needs of the countries it serves. The thrust of all arrangements is to ensure maximum delegation of operational authority to the Executive Director of UNOPS to take the decisions necessary to accomplish its tasks.

14. Moreover, the Secretary-General expects that a number of benefits would result from the proposed new framework in terms of "value added" in the provision of services to Member States:

(a) The transfer of the implementation function of DDSMS to OPS would maximize efficiency and cost-effectiveness and eliminate duplication. The workload would be better handled and cost savings from consolidation of personnel would be available for application to technical support priorities;

(b) The United Nations programme and project execution functions would benefit from OPS implementation capabilities and "management culture". Similarly, OPS would be able to benefit more from the substantive skills and knowledge available in DDSMS in economic management, governance, public administration and finance, and natural resources and energy planning and management. Bearing in mind the role of DDSMS as the focal point for technical cooperation in the Secretariat, the new arrangements should assist in promoting an integrated approach to development assistance;

(c) At the level of the United Nations system as a whole, the transfer of OPS would serve to strengthen the central coordinating and funding role of UNDP, and facilitate greater utilization by the relevant specialized agencies of the implementation services of OPS and a sharper focus on their technical roles;

(d) A strong operational arm would be placed at the disposal of the United Nations that could be utilized to provide similar support services not only to technical cooperation activities, but to other operations requiring similar services, as appropriate.

15. The Secretary-General trusts that the institutional and administrative arrangements submitted in the present report will guarantee the efficiency and effectiveness of OPS, and realize significant benefits for Member States.

Notes

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 7 (A/47/7 and Add.1-17), document A/47/7/Add.15.

2/ Ibid., Forty-eighth Session, Supplement No. 7 (A/48/7 and Add.1-6), document A/48/7/Add.1.

ANNEX I

Functions, organization and reporting arrangements for the United Nations Office for Project Services

I. FUNCTIONS

1. The principal functions of the United Nations Office for Project Services (UNOPS) shall be:

(a) To provide direct support services and assume implementation responsibilities in the context of national execution for programmes and projects for the building and strengthening of national capacities to plan, manage and implement development policies, programmes and projects;

(b) To provide management services and assume implementation responsibilities (including administrative and operational services) in relation to national programmes and projects for which the United Nations is the executing agency, especially those of a multisectoral nature, until such time as Governments are prepared to take over those responsibilities;

(c) To assume implementation responsibilities for and/or provide management services for projects and programmes financed by multilateral institutions and bilateral donors at the global, regional and national levels, at the request of or in consultation with recipient Governments, as appropriate.

II. ORGANIZATION OF THE UNITED NATIONS OFFICE FOR PROJECT SERVICES

2. UNOPS will function under the overall supervision of the Under-Secretary-General, Department for Development Support and Management Services (DDSMS), who is also Chairman of the UNOPS Management Board. However, a number of basic authorities - key to establishing the degree of autonomy and ensuring the efficient operation of UNOPS - in the areas of finance, personnel and procurement will be delegated to the Office.

3. The incorporation of UNDP/OPS within DDSMS as a distinct semi-autonomous entity is predicated upon the integration into UNOPS of the implementation functions currently carried out by the Department. The programme management functions relating to the combined OPS/DDSMS portfolio will be performed within the structure of UNOPS and following its management approach and work modalities.

4. In order to ensure the maximum degree of integration of the portfolios: (a) for projects for which it is the executing agency, the Department shall create a Project Acceptance Committee, with UNOPS participation as required; (b) for all projects implemented by the Office, the current OPS Project Acceptance Committee shall continue to operate under its existing procedures with the participation of the Department, as required.

5. With respect to organizational arrangements, DDSMS maintains two substantive divisions responsible for carrying out the Department's normative functions, project execution responsibilities and technical support services.

6. UNOPS will continue to maintain the following functional and organizational structure, which may be revised from time to time by the Executive Director for the purpose of adapting it to the changing business requirements of the Office. Any revision will be incorporated in the budgetary estimates for the subsequent financial period.

A. Project operations divisions

7. Five operations divisions (three regional divisions, one sectoral division and one regional/thematic division) carry out all programme/project management functions for the entire portfolio of the Office.

8. The loan administration and project supervision activities related to the International Fund for Agricultural Development, so far carried out by DDSMS staff, shall be integrated into a sixth division.

B. Support divisions

1. Projects Management Support Division

9. The Division provides all implementation support services necessary for directly obtaining, or otherwise assisting the operations divisions in obtaining, the goods, services, civil works, human resources, training and other inputs required in respect of the four main project budget components. The units and sections of the Division carry out the following functions:

(a) An integrated Purchasing Section will procure goods, equipment and supplies for all the projects of the Office and those financed by its administrative budget;

(b) An integrated Projects Personnel Section will obtain the services of individual project experts, consultants and support staff;

(c) An integrated Fellowship and Training Section will arrange for all project training activities;

(d) The Contracts Unit provides advisory services and support to the Project Management Officers of the operational divisions of the new Office, which are primarily responsible for obtaining and administering the services of entities for consulting assignments, civil works and so on, related to all projects;

(e) The Consulting Services Unit establishes and maintains computerized roster systems for individual project personnel and consulting firms, and provides information to the private sector and government trade representatives interested in doing business with the Office;

(f) The Management Services and Special Procurement Section provides advisory services in respect of all management services agreements carried out by the Office, directly undertakes procurement activities required by the OPS Japanese Procurement Programme, the OPS Nordic consultancy funds and so on, and provides directly other technical support to procurement projects for Governments.

2. Finance and Administration Division

10. The Division provides all those administrative, accounting, budget and other financial services necessary for assisting the Operations Divisions to manage the projects of the new Office. It is also responsible for preparing the administrative budget of the Office and for monitoring the corresponding allotments. Under delegated authority from the Secretary-General, the Division shall be responsible for administering UNOPS headquarters staff and providing general services.

11. Integrated finance and budget sections will carry out or be involved in all accounting, budgetary and other financial responsibilities relating to the UNOPS project and administrative budgets.

3. Policy, Planning and Information Division

12. The Division is responsible for all policy and strategic planning initiatives. It is also in charge of public information/relations, streamlining of procedures and decentralization. In addition, the Division convenes and services the OPS Project Acceptance Committee and provides information systems support through its Information Section, which is in charge of all aspects of information systems and office automation.

III. REPORTING ARRANGEMENTS

13. UNOPS shall report on its operation to the UNDP Executive Board, through the Under-Secretary-General, DDSMS. The Executive Board will also review and approve the proposed biennial budget for the Office. The Advisory Committee on Administrative and Budgetary Questions shall submit comments and recommendations on the budget of the Office to the Executive Board prior to the latter's review and approval.

14. To better serve the interests of the United Nations as a whole and those of donor and recipient countries, a UNOPS Management Board shall be established with responsibility for ensuring that the mandate of the Office and the directives of the Governing Council and the General Assembly are translated into operational and practical measures. The Management Board will have the following terms of reference:

> The Management Board shall assist the Secretary-General in providing policy and management direction in the functioning of UNOPS, bearing in mind the specific mandate of the Office and the role of the UNDP Executive Board.

The Management Board, to be chaired by the Under-Secretary-General, DDSMS, who will report to the UNDP Executive Board and the General Assembly on behalf of the Secretary-General, will include the Administrator of UNDP and the Under-Secretary-General, DAM. The Secretary of the Board shall be the Assistant Secretary-General, Executive Director of UNOPS.

15. The functions of the Management Board shall include:

(a) Ensuring the implementation of the mandate of UNOPS;

(b) Maintaining and strengthening the functioning of the Office;

(c) Ensuring the appropriateness of rules and procedures for the operations of the Office;

(d) Reviewing the biennial programme and budget of the Office and related submissions to the UNDP Executive Board, the General Assembly and other bodies;

(e) Approving requests from the Executive Director of UNOPS for the establishment, within available income, of additional posts below the D-1 level to be incorporated into subsequent budget submissions;

(f) Ensuring the efficiency of the management, administrative and operational support provided by the Office to users of its services;

(g) Guiding the relations of the Office with recipient Governments, other departments of the Secretariat, UNDP field offices, United Nations specialized agencies, bilateral donors and international financing institutions;

(h) Reviewing and evaluating the performance and effectiveness of the Office;

(i) Ensuring that adequate central administrative support services are provided to the Office.

ANNEX II

Financial arrangements for the United Nations Office for Project Services

I. PRELIMINARY CONSIDERATIONS

1. The proposed financial arrangements for the United Nations Office for Project Services (UNOPS) described below update and replace those contained in the report of the Secretary-General (A/48/502/Add.1 and 2). They will be applied bearing in mind the respective roles and functions of the UNOPS Management Board and the Executive Board of the United Nations Development Programme (UNDP).

2. Some of these financial arrangements will be incorporated into a separate set of financial rules to be applicable to the Office. Unless otherwise specified in those rules, the Financial Regulations and Rules of the United Nations shall apply. Other matters relating to these financial arrangements, including delegations of authority, will be the subject of Secretary-General's bulletins or administrative instructions, as appropriate. Together, these instruments will constitute the dedicated financial regime for UNOPS.

II. BASIC AUTHORITIES

3. The Under-Secretary-General, Department for Development Support and Management Services (DDSMS), shall be accountable to the Secretary-General for all phases and aspects of the operations of UNOPS. The Under-Secretary-General, DDSMS, shall delegate to the Executive Director of the Office such authority as may be necessary for the latter to carry out such operations. To this end, the Executive Director, acting with the concurrence of the UNOPS Management Board, shall have the authority to establish from time to time such procedures, as well as to determine the organizational structure, as may be necessary to enable the Office to be self-financing and to respond to its business needs.

III. MANAGEMENT OF FUNDS

4. The Secretary-General shall be the custodian of UNOPS funds and shall designate the bank(s) in which such funds shall be kept.

5. With respect to all operations and financial activities of the Office, the Under-Secretary-General, DDSMS, shall be responsible for:

(a) The utilization of such UNOPS funds, including funds provided by UNDP or other United Nations agencies, in accordance with applicable General Assembly and Economic and Social Council resolutions on operational activities for development, as well as in accordance with applicable decisions of the UNDP Executive Board (hereinafter, "decisions of the UNDP Executive Board" shall also include, as appropriate, applicable decisions of the UNDP Governing Council still in force);

(b) The utilization of extrabudgetary funds held by UNOPS under trust funds, management services or other ad-hoc agreements with international financial institutions, Governments and other donors in accordance with the agreements concluded for such purpose;

(c) The utilization of "UNOPS income" as defined in paragraph 10 below.

IV. TRUST FUND, MANAGEMENT SERVICES AND OTHER AGREEMENTS

6. UNOPS shall have the authority to negotiate and conclude agreements - including trust funds and management services agreements, inter-agency letters of agreement, letters of understanding and so on - for its services with recipient Governments, Secretariat departments, UNDP, bilateral donors and international financing institutions, in line with UNDP's role as specified in paragraph 6 of Governing Council decision 93/42, which supports the continuing role to be played by the Programme in the development of, and as signatory to, management services agreements as specified in paragraph 7 of the report of the Administrator (DP/1993/20).

7. The Executive Director of UNOPS shall also have the authority to enter into other agreements with other United Nations bodies for them to implement all or part of activities under the implementation responsibility of the Office.

8. The terms and conditions of such agreements shall be in accordance with applicable decisions of the UNDP Executive Board and the UNOPS Management Board.

9. The Executive Director of UNOPS shall determine the fees or other income arrangements for services to be provided by UNOPS in accordance with applicable decisions of the UNDP Executive Board and the UNOPS Management Board in order to enable it to be self-financing.

V. ACCOUNTS

10. "UNOPS income" shall be defined as earnings for services rendered and any interest accrued thereon.

11. Such UNOPS income shall be kept in a separate account (the "UNOPS Account"). The unspent income that has accrued to UNDP/OPS and DDSMS until 31 December 1994, according to applicable UNDP and United Nations legislation governing the use of such income, shall be credited to the UNOPS Account.

12. There shall be established a reserve fund within the UNOPS Account to cover potential liabilities in respect of operations of the Office. The amount of the reserve shall be determined by the UNOPS Management Board.

13. All activities and operations of UNOPS shall be funded from the UNOPS Account, without cost being incurred to the regular budget of the United Nations or UNDP. Funds in the UNOPS Account shall be held and administered solely for the purposes and activities of the Office.

14. Separate ledger accounts shall be established by the United Nations for the accounting, identification, management and administration of funds held by UNOPS.

15. In a manner to be jointly determined, the United Nations and/or UNDP shall perform specific financial and accounting functions for UNOPS at Headquarters and in the field. The scope and cost of such services will be negotiated under the aegis of the UNOPS Management Board (see annex IV, para. 37).

16. The Controller shall, upon recommendation of the Executive Director of UNOPS, designate staff of the Office to serve as certifying and approving officers at Headquarters for programme and project accounts as well as for transactions under the administrative budget. Certifying and approving officers in the field shall be designated by the Executive Director.

VI. FINANCIAL PERIODS

17. The financial period for the purpose of incurring and accounting for expenditures in respect of UNOPS programme and project activities, including collection of related agency support costs and management fees, shall consist of a single calendar year.

18. The financial period for the UNOPS administrative budget shall be the same as for the United Nations regular budget.

VII. PROCUREMENT FUNCTIONS

19. The procurement functions of UNOPS shall cover, inter alia, any activity necessary for the purchase, rental, acquisition or sale of goods, services (including the enhanced role for UNOPS to engage independent, individual contractors for projects), works and other requirements such as training, and leasing of realty for projects.

20. The following general principles shall be given due consideration in carrying out such procurement functions:

(a) Economy and efficiency;

(b) The interests of the programmes and projects implemented by UNOPS;

(c) Soliciting of proposals and competitive bidding to allow prospective proposers and bidders fair and equal opportunities to provide those goods, services and other requirements being sought for such programmes and projects implemented by the Office;

(d) The decisions of the UNDP Executive Board applicable to UNOPS.

21. Under delegated authority from the Under-Secretary-General, DDSMS, UNOPS shall be responsible for carrying out all procurement functions of the Office under both its administrative budget and project budgets. The Executive

Director may delegate such responsibility to designated UNOPS officers or project authorities, as appropriate or required to achieve an effective decentralization of its activities. Procurement under the UNOPS administrative budget for headquarters and in support of its field activities shall be coordinated with the procurement services of the United Nations and UNDP, respectively.

22. In conformity with the financial rules, the Executive Director of UNOPS may from time to time establish such procedures as are necessary to carry out UNOPS procurement activities. Such procedures shall take into account any applicable resolution of the General Assembly or decision of the UNDP Executive Board and have the concurrence of the UNOPS Management Board. They may include, but not be limited to, methods of procurement, including use of advertising to solicit bids and proposals; manner of opening and evaluation of bids and proposals; award of contracts under requests for proposals; use of pre-contract negotiations with prospective contractors; negotiated contracts; and requirements for procurement activities under the terms and conditions of management services agreements. Initially, until such time as changes are implemented, UNOPS shall operate under the procedures and practices it has employed as UNDP/OPS, including, but not limited to, those set out in the OPS Handbook on Project Management and Administration and other internal directives or instructions.

VIII. PROCUREMENT REVIEW COMMITTEE

23. There shall be established a separate Procurement Review Committee at UNOPS headquarters to render written advice, in accordance with the Financial Regulations of the United Nations, the relevant Financial Rules and the procedures of the Office, to the Under-Secretary-General, DDSMS, who, as Chief Procurement Officer, shall decide on the award of contracts for certain procurement actions to be undertaken by the Office.

24. The membership of the Procurement Review Committee, including appropriate individuals from outside UNOPS, and its terms of reference, including the criteria determining the scope of the Committee's review, shall be determined by the UNOPS Management Board. The threshold for review by the Committee shall be for proposed procurement activities valued at $100,000 or more.

25. As required, the Under-Secretary-General, DDSMS, as the Chief Procurement Officer of UNOPS, may authorize the use by the Office of the local contracts committee at any UNDP country office or the establishment of a separate local contracts committee at any project location with terms of reference consistent with those of the Procurement Review Committee.

26. Where, under the preceding provisions of this section, the advice of the Procurement Review Committee (or of the appropriate local committee) is required to be sought, no commitment is to be entered into before such advice is acted upon by the Under-Secretary-General, DDSMS, as the Chief Procurement Officer of UNOPS or other designated official. In cases where the Chief Procurement Officer or other designated official, as appropriate, decides not to accept the

advice of the Procurement Review Committee or local committee, the reason for that decision shall be recorded.

IX. INTERNAL AND EXTERNAL AUDITS

27. The United Nations shall be responsible for internal audit. Appropriate arrangements shall be made with UNDP for the internal audit of some operational and financial activities of UNOPS, as appropriate.

28. With regard to reports of the Board of Auditors, extracts from such reports dealing with UNOPS, together with the relevant portion of the United Nations audited financial statements and comments of the Advisory Committee thereon shall also be transmitted to the members of the UNDP Executive Board in accordance with established procedures.

X. MISCELLANEOUS FINANCIAL AND BUDGETARY PROCEDURES

A. Administrative budget

29. The UNOPS budget, entirely funded from extrabudgetary resources, shall be approved by the UNDP Executive Board taking into account the comments of the Advisory Committee.

30. Between sessions of the UNDP Executive Board, the Executive Director of UNOPS shall, with the agreement of the UNOPS Management Board, following the principle of self-financing, have the authority to establish or eliminate posts below the D-1 level, as well as to utilize additional income for unbudgeted expenditures, subject to ex post facto approval of such action by the Executive Board. Revised staffing tables and budgets shall be issued accordingly by the United Nations Controller.

B. Miscellaneous procedures

31. On 1 January 1995, each of the portfolios of UNOPS and DDSMS shall undergo a one-time conversion from the respective data bases to the Integrated Management Information Systems (IMIS) and thereafter budget and expenditure data shall be updated in the system by staff of UNOPS under a uniform accounting system.

32. Administrative budget- and project-related payment vouchers issued at Headquarters shall be prepared and approved by UNOPS staff at the Office. Financial data shall be entered directly into the IMIS ledger by UNOPS staff before being forwarded to the Treasury Section of the Secretariat for payment.

33. Certain functions, such as requests for cash drawdown from United Nations agencies, the processing of inter-office vouchers and imprest accounts for the DDSMS portfolio, shall be transferred from the Accounts Division of the Secretariat to UNOPS effective 1 January 1995.

34. The recording of non-payroll-related obligations and disbursements shall be carried out by UNOPS staff, as appropriate.

35. Information on deposits made to the United Nations Technical Assistance Account in support of extrabudgetary technical cooperation programmes and projects shall be made available to UNOPS and recorded in the appropriate United Nations general ledger account.

ANNEX III

Personnel arrangements for the United Nations Office for Project Services

I. BASIC PRINCIPLES

1. Consistent with the spirit of the decisions of the Governing Council, the United Nations and the United Nations Development Programme (UNDP) secretariats will make every effort to ensure the maintenance of the effectiveness of the United Nations Office for Project Services (UNOPS) through responsive handling of the concerns of all staff.

2. Subject to the retention by the Secretary-General of his authority to interpret the Staff Regulations, to promulgate and interpret the Staff Rules and to take final decisions in appeal and disciplinary cases under the Staff Regulations and in compensation cases under appendix D of the Staff Rules, the staff of UNOPS will be administered by the United Nations, with authority delegated to the Office similar to that enjoyed by other voluntarily funded operational entities within the United Nations system.

3. Following the merger with the United Nations, UNDP staff currently serving with UNDP/OPS shall be regarded either as having been transferred or as on special secondment to the United Nations. With the exception of those considered to be on special secondment as outlined in paragraph 20 below, all UNDP appointments shall be regarded as having been superseded as at 1 January 1995, after consultation with all three parties, by United Nations appointments in a manner that preserves the staff member's contractual status and acquired rights as indicated below:

(a) Those who hold permanent appointments with UNDP shall received permanent appointments with the United Nations;

(b) Those who hold fixed-term appointments with UNDP, including those currently on secondment to UNDP from other organizations, shall receive fixed-term appointments with the United Nations for a period of not less than the unexpired portion of their UNDP appointments;

(c) Subject to satisfactory financial mechanisms to cover UNDP liabilities that may arise in this connection, a certain number of Professional staff who are mobile in terms of UNDP assignments shall retain their UNDP appointments, but, after consultation with all three parties, shall be on special secondment to the United Nations as at 1 January 1995.

II. ARRANGEMENTS COMMON TO LOTH PROFESSIONAL AND GENERAL SERVICE STAFF

A. Post classification

4. Both the United Nations and UNDP apply the International Civil Service Commission common classification standards applicable to Professional and General Service posts. Although now to be administered by the United Nations, the classification procedure shall remain the same.

B. Seniority

5. UNDP staff converted to United Nations appointments and UNDP staff on special secondment to UNOPS shall retain their seniority and accrued benefits and entitlements.

C. Training

6. As per current practice, all staff of the Office shall be eligible for United Nations and UNDP training courses as well as the Educational Assistance Programme of UNDP. UNOPS shall reimburse the United Nations or UNDP as appropriate.

D. Programme for Staff Assistance

7. As per current practice, all UNOPS staff shall have access to the UNDP Programme for Staff Assistance. UNOPS shall reimburse UNDP, on a pro rata basis, for this access.

E. Staff currently on secondment to UNDP/OPS from other agencies

8. Arrangements shall be made so that staff currently on secondment to UNDP/OPS from other organizational entities shall have their secondment transferred to the United Nations by the releasing organization, in accordance with the Inter-organization Agreement concerning Transfer, Secondment or Loan of Staff Among the Organizations Applying the United Nations Common System of Salaries and Allowances.

F. Carry-over commitments

9. Decisions of the UNDP Administrator affecting staff transferred or on special secondment to UNOPS coming into effect in 1995 but arising out of the 1994 performance/work plan year, shall be recognized by the new Office, including promotions, reassignments and contract renewals.

10. The conversion or extension of fixed-term appointments of staff members will be subject to the normal provision of satisfactory service and availability of funding as would be the case were they to remain in UNDP.

G. Staff/management relations

11. Following the merger, UNOPS staff shall be represented by the United Nations Staff Union, which, under chapter VIII of the Staff Rules, is the sole and exclusive representative body. The Staff Union is a member of the Coordinating Committee for Independent Staff Unions and Associations of the United Nations System for the purpose of representing staff interests in inter-organizational bodies such as the Administrative Committee on Coordination, the Consultative Committee on Administrative Questions and the International Civil Service Commission.

III. GENERAL SERVICE STAFF ISSUES

12. Staff in the General Service category are not subject to reassignment and consequently all General Service staff will be transferred to UNOPS effective 1 January 1995.

13. Staff converted to United Nations appointments will retain their seniority in service with UNDP and this will be recognized by the United Nations for purposes of eligibility for permanent appointment, special post allowance and the G to P examination.

14. All UNDP/OPS General Service staff transferred to the United Nations may apply for vacancies within the United Nations and will be considered as internal candidates.

15. Following the transfer, all UNOPS General Service staff applying for vacancies with UNDP will be considered as candidates consistent with existing arrangements.

A. Special post allowance

16. All UNOPS General Service staff assigned to a post graded at a higher level than their own personal grade shall be eligible for special post allowance under United Nations rules.

B. G to P examinations

17. All UNOPS General Service staff shall have the same eligibility as all other United Nations staff to sit for the G to P competitive examination.

C. Access to UNDP

18. All UNOPS General Service staff may apply for vacancies within UNDP and be considered as candidates consistent with existing arrangements.

D. Appointment and promotion mechanism

19. The appointment and promotion mechanism for all UNOPS General Service staff shall be the same as that for all United Nations General Service staff.

E. Performance appraisal

20. In order to ensure that UNOPS General Service staff are eligible for vacancies on an equal footing with all other United Nations staff, their performance shall be evaluated using the United Nations performance evaluation review system. UNOPS may utilize the UNDP performance appraisal review system as a management tool.

IV. PROFESSIONAL STAFF ISSUES

A. Special secondment a/

21. Pursuant to the decisions of the UNDP Governing Council, which, inter alia, called for appropriate arrangements to maintain the present rotation mechanism with UNDP, and subject to satisfactory financial mechanisms to cover UNDP's liabilities that may arise in this connection, the following provisions shall apply with respect to UNDP staff on special secondment to the United Nations as at 1 January 1995:

(a) In order to ensure a continuous infusion of field experience into UNOPS, only Professional staff who are mobile with regard to UNDP assignments would be eligible to have the option to be considered for special secondment to UNOPS while maintaining their UNDP contracts. It is anticipated that at the time of the merger approximately 50 staff will fall into this category;

(b) During the period of special secondment to UNOPS, staff members shall retain their existing UNDP appointment and be offered a fixed-term appointment with the United Nations for the agreed period of special secondment. During the special secondment, staff members shall be subject to the Staff Regulations, Staff Rules and practices of the United Nations;

(c) The period of special secondment of each UNDP staff member to UNOPS will be until such time as he or she is scheduled for reassignment by UNDP. To this effect, these staff members will receive the UNDP compendium of vacancies approximately one year in advance of the planned reassignment;

(d) Staff members placed during the UNDP annual reassignment exercise will return to UNDP upon expiry of the special secondment arrangement;

(e) Staff members who are not placed during the period of secondment or who wish to remain in their UNOPS positions will be eligible for extension of their special secondment to UNOPS for an additional year, subject to the agreement of UNOPS management and the availability of funds;

(f) Staff members proposed for special secondment shall be eligible for transfer to the United Nations at any time during the period of their special secondment with the agreement of all parties;

(g) In the context of the UNDP annual reassignment exercise, UNDP staff shall be able to apply for vacancies in UNOPS and, if selected, be seconded to UNOPS;

(h) Upon expiry of the special secondment, any financial liability that may occur as the result of this arrangement shall be covered by a special reserve fund established for this purpose.

22. In keeping with UNDP provisions, whereby headquarters assignments are for four to six years, approximately 10 staff members on special secondment to UNOPS will be expected to return to UNDP each year and will to this effect receive the UNDP compendium of vacancies. A staggered and continuous rotation will also protect UNOPS from rapid turnover and loss of experienced staff.

23. All professional staff of UNOPS who are not on special secondment from UNDP and who wish to apply shall also be considered for vacancies with UNDP on secondment from the United Nations.

B. Transfer

24. Since UNDP/OPS staff who transfer to the United Nations had joined UNDP with the expectation of broad career opportunities within UNDP, these staff members shall be issued, as an exceptional and one-time action, contracts not limited to UNOPS. As a result, they would be considered as internal candidates for vacancies in the United Nations.

C. Appointment and promotion mechanism

25. As a semi-autonomous, self-financing entity, UNOPS may consider establishing under delegated authority its own appointment and promotion mechanism for Professional staff whose contracts are limited to service with the Office.

D. Performance appraisal

26. Until a new United Nations evaluation/appraisal system is developed, the existing arrangements as currently applicable shall apply to staff from UNDP/OPS and the Department for Development Support and Management Services, respectively. (UNOPS may utilize the UNDP performance appraisal review mechanism as a management tool).

V. PROJECT PERSONNEL

27. In project personnel matters, UNOPS will perform the following functions:

(a) Recruitment and administration of international project staff under the 200 series of the Staff Rules and for appointments of limited duration;

(b) Authorization of resident representatives to recruit and administer local staff and national Professional project personnel;

(c) Engaging the services of international short-term consultants.

Notes

a/ The general provisions on secondment of the Inter-organization Agreement concerning Transfer, Secondment, or Loan of Staff Among the Organizations Applying the United Nations Common System of Salaries and Allowances will apply to staff, mutatis mutandis, and, where applicable, to staff on special secondment, with certain modifications as agreed to by the parties concerned.

ANNEX IV

Proposed administrative budget for the United Nations Office for Project Services for 1995

I. INTRODUCTION

1. The present annex provides the basic justifications for the proposed administrative budget for the United Nations Office for Project Services (UNOPS) for 1995.

2. A budget for the biennium 1994-1995 was submitted by the United Nations Development Programme (UNDP)/OPS and approved by the Governing Council in the amount of $73,197,000, (see GC/1993/45 and decision 93/35). That budget provided for 247 staff positions, 93 Professional and 154 General Service.

3. It is estimated that in 1995 UNOPS will manage a combined portfolio of $850 million: $700 million from OPS and $150 million from the Department for Development Support and Management Services (DDSMS). The estimated income to be earned from the two portfolios amounts to approximately $42.7 million: $36.2 million from the UNDP/OPS portfolio and $6.5 million from the DDSMS portfolio.

4. The UNOPS budget is to be fully covered by income from the following:

(a) Administrative and operational service (AOS) costs and other support costs earned as implementing agents for projects executed by DDSMS and the Department for Economic and Social Information and Policy Analysis (DESIPA);

(b) AOS costs from the implementation of projects financed by UNDP and UNDP trust funds;

(c) AOS costs from both nationally executed projects and agency-executed projects when UNOPS is the implementing agency;

(d) Management fees earned from the implementation of management services agreements financed by multilateral/bilateral donors.

5. In line with the self-financing principle, the Executive Director of UNOPS shall manage the resources in such a way as to ensure that the yearly UNOPS administrative expenditures are within the income earned during the year. Should activities and earnings increase during the year, the Executive Director, with the concurrence of the Under-Secretary-General, DDSMS, and the UNOPS Management Board, will have the authority to increase staffing below the D-1 level, as well as to utilize the additional resources for unbudgeted expenditures, subject to ex post facto reporting to the UNDP Executive Board. Similarly, a decline in earnings would result in a decrease in staffing levels.

II. RESOURCE BASE

6. As at 31 December 1994, UNDP/OPS estimates that its unspent income will be approximately $9 million. The corresponding amount of overhead resources accumulated in the United Nations accounts and related to the DDSMS portfolio is estimated at approximately $2 million. Therefore, UNOPS is projected to have an opening balance of approximately $11 million as at 1 January 1995. The actual balance will depend upon the income and expenditure performance of UNDP/OPS and DDSMS in 1994. This information will be available upon the closing of the 1994 accounts.

7. An amount of $6.4 million from the above-mentioned resources will be reserved to discharge any potential UNOPS liability in respect of its operations. This amount represents 15 per cent of the estimated 1995 administrative expenditures of UNOPS. Of this $6.4 million, an amount not to exceed $2.5 million will be earmarked to cover potential liability of UNDP for its staff on special secondment to the United Nations. As UNDP exposure diminishes, the size of the earmarking will be diminished proportionately and the related resources will remain part of the overall reserve.

8. The balance - currently projected at $4.6 million - will be available for other contingencies, including shortfalls in income.

III. PORTFOLIO ANALYSIS

9. The respective portfolios of DDSMS and UNDP/OPS were analysed in order to estimate the number of additional posts that would be required for UNOPS to absorb and manage the DDSMS portfolio according to OPS norms. This was done by determining the number of staff UNDP/OPS currently employs to manage its projects, recruit project personnel, arrange training for developing country nationals, issue purchase orders, negotiate and administer contracts, effect all resulting payments and support and control its operations. The ratios so determined were used to estimate the number and type of posts required to handle the DDSMS portfolio. The results of this analysis are presented in table 1.

10. The present annex and the associated staffing table are based on projections of the 1994 portfolio. It assumes that the DDSMS project portfolio will reach a level of approved budgets of $150 million. Since portfolios change constantly with the introduction of new projects, this analysis will be updated in the fourth quarter of 1994. If the approved 1995 DDSMS portfolio is at that time within 10 per cent of the currently projected $150 million, this budget will be used as a basis for the merger. Otherwise the budget and staffing table will be revised proportionately.

Table 1. Estimated staffing requirements of the United Nations Office for Project Services

Post level	UNDP/OPS 1995 budgets	Transfer from DDSMS	Total OPS/DDSMS
Professional category and above			
ASG	1	-	1
D-2	1	-	1
D-1	8	1	9
P-5	29	3	32
P-4	24	7	31
P-3	19	7	26
P-2/1	7	-	-
Subtotal	89	18	107
General Services			
Principal level (G-6 and G-7)	50	12	62
Other levels	99	22	121
Subtotal	149	34	183
Total	238	52	290

11. UNDP/OPS is actively decentralizing its operations. It is therefore to be expected that some of the additional posts from DDSMS, along with some present UNDP/OPS posts, will be utilized for this purpose. The exact number of posts to be deployed to duty stations away from headquarters affected will be determined by the pace and scope of the decentralization exercise.

IV. ESTIMATED ADMINISTRATIVE EXPENDITURES

12. The total estimated administrative expenditures of UNOPS for the year will amount to $42.7 million. A breakdown of the expenditures is provided in table 2. Justifications for each object of expenditure contained in the table are as follows.

Table 2. Proposed administrative budget for the United Nations Office for Project Services for 1995

(Thousands of United States dollars)

Object of expenditures	UNDP/OPS 1995 budgets	Transfer from DDSMS	Total OPS/DDSMS
Established posts a/	13 608.0	2 650.1	16 258.1
Temporary assistance	500.0	54.7	554.7
Appointments of limited duration	1 220.8	29.0	1 249.8
Consultants	500.0	60.5	560.5
Overtime and night differential	400.0	54.7	454.7
Common staff costs a/	5 400.4	1 259.8	6 660.2
Other staff travel	886.5	157.8	1 044.3
Contractual printing	134.9	16.7	151.6
Translation	38.8	10.1	48.9
Systems development contracts	1 250.0		1 250.0
Subcontracts	300.0	53.5	353.5
Rental and maintenance of premises	2 700.0	495.8	3 195.8
Utilities	172.6	30.9	203.5
Rental and maintenance of furniture, equipment and vehicles, including maintenance supplies	127.6		127.6
Communications	1 247.4	221.5	1 468.9
Hospitality	10.0	2.5	12.5
Miscellaneous services	270.3	45.1	315.4
Stationery and office supplies, including internal reproduction supplies	578.7	103.0	681.7
Office furniture and equipment	237.7	305.3	543.0
Microcomputer hardware/software	434.8	189.0	623.8
Vehicles	16.1		16.1
Reimbursement for the New York Computer Section/International Computing Centre	292.2		292.2
Subtotal	30 326.8	5 740.0	36 066.8
Reimbursement for central services	3 699.8	700.2	4 400.0
Reimbursement to UNDP field offices	2 200.0		2 200.0
Total	36 226.6	6 440.2	42 666.8

a/ The United Nations standard salary version 42/94 is being used to calculate the budgetary provision for the 290 established posts, that is, 238 for OPS and 52 for DDSMS.

A. Established posts/common staff costs

13. The proposed 1995 budget in the amount of $16,258,100 for established posts and $6,660,200 for common staff costs is to cover the cost of the staff required to manage the UNOPS portfolio. A total of 290 posts, consisting of 107 Professional and 183 General Service, is required for 1995. This number was arrived at based on the analysis described in section III. The incumbents of these posts will be selected from a pool of candidates from DDSMS staff in accordance with the UNOPS requirements. Table 1 provides a breakdown of the 290 positions, by grade and functions.

B. Temporary assistance

14. The budgetary provision in the amount of $554,700 is intended to cover temporary assistance for staff on special leave, including maternity leave and extended sick leave, and for cases where additional help may be needed owing to temporary increases in workload. These, and additional funds if necessary, will also cover the costs of individuals hired on special service agreements or other type of temporary contracts pending the formal recruitment of staff to fill newly established posts, if any.

C. Appointments of limited duration

15. The budgetary provision in the amount of $1,249,800 is to cover personnel under this new type of contract.

D. Consultants

16. The budgetary provision in the amount of $560,500 is to cover the cost of technical support required for the implementation of projects and management services. Among other things, these services include the preparation of terms of reference for complex subcontracts, reviewing and evaluating bids and requests for proposals, conducting management and other internal studies and reporting thereon, writing special reports and guidelines, and so on.

E. Overtime and night differential

17. The budgetary provision in the amount of $454,700 would provide for the requirements of peak workload based on current trends.

F. Other staff travel

18. The combined portfolio of UNOPS will consist of approximately 2,500 active projects (1,600 for UNDP/OPS and 900 for DDSMS). The budgetary provision of $1,044,300 will be utilized for travel of staff, primarily Division Chiefs and Project Management Officers to projects, to participate in tripartite meetings; conduct on-site project monitoring; provide training in administration, finance

and other matters to project staff; do trouble-shooting; meet potential clients and donors/funding sources for management services agreements; and so on.

G. Contractual printing

19. The budgetary provision of $151,600 under this heading is to cover the costs of printing the UNOPS annual report, brochures, guidelines, manuals and other documents.

H. Translation

20. The budgetary provision of $48,900 is to translate the UNOPS guidelines and brochures into various official languages.

I. Systems development contracts

21. The budgetary provision of $1,250,000 is the estimated expenditure required in three principal areas:

(a) Maintenance of current systems;

(b) Acquisition, design, development, implementation and maintenance of systems for activities not covered by the Integrated Management Information Systems (IMIS);

(c) The costs UNOPS will incur to transfer to IMIS.

22. The first category covers existing systems, such as the fund control system and the reality software for equipment control and inventory, until such time as those systems are replaced in their entirety by IMIS.

23. The second area includes known requirements for new systems, such as firm and consultant rosters, imprest reporting software, workload and implementation cost measurement systems, and a system to manage data on International Fund for Agricultural Development activities. Other new requirements may also arise during the year.

24. The third area includes user requirements, systems design and implementation of any UNOPS requirements not met by IMIS and the cost of converting data to the IMIS modules. Since actual expenditures in the third category cannot be known at this time, any funds not expended will revert to the UNOPS account.

J. Subcontracts

25. The budgetary provision in the amount of $353,500 is to cover the cost of subcontracts for the maintenance of work stations and network user support (LAN systems).

K. Rental and maintenance of premises

26. The budgetary provision of $3,195,800 includes rental expenses for the UNOPS premises at Headquarters, UNOPS share of common premises in UNDP field offices and rental of additional space in the Daily News building to accommodate the 52 DDSMS staff. The DDSMS portion has been calculated roughly at the same proportion as current UNOPS rental costs with a modest increment for rent escalation costs.

L. Utilities

27. An amount of $203,500 has been included in the budget to cover the estimated cost of utilities, that is, electricity, water and so on.

M. Rental and maintenance of furniture, equipment and vehicles

28. The estimated requirements of $127,600 will cover maintenance and rental of existing office equipment at Headquarters, mainly large printers and photocopiers, and for maintenance of vehicles in field offices.

N. Communications

29. The cost of communications, namely, telephone, fax, electronic mail, postage, pouch, and so on associated with project acquisition and implementation will be covered by the budgetary provision in the amount of $1,468,900. These costs have been calculated based on current expenses incurred by UNDP/OPS for those items.

O. Hospitality

30. An amount of $12,500 is requested under this heading to provide for official functions and other hospitality for UNOPS at Headquarters and in field offices.

P. Miscellaneous services

31. An amount of $315,400 is requested to cover the cost of training, archives and retrieval of accounting documents located in New Jersey, advertising and moving DDSMS staff to the Daily News building.

Q. Stationery and office supplies

32. An amount of $681,700 is requested to provide for office supplies, including reproduction supplies, paper and stationery, books and library supplies.

R. Office furniture and equipment

33. The budget of $543,000, including a non-recurrent cost of approximately $300,000, is to cover the cost of constructing work stations for the staff to be relocated from DDSMS to UNOPS, and for electronic communications to the UNDP and United Nations mainframe computers and IMIS.

S. Microcomputer hardware/software

34. The budget in the amount of $623,800 covers costs of office automation software and upgrades, replacement of computer and related equipment, and routine upgrades of network hardware.

T. Vehicles

35. The modest budgetary provision of $16,100 is intended to cover the cost of one vehicle for a UNOPS outpost, should such a vehicle become necessary.

U. Reimbursement for the New York Computer Section/ International Computing Centre

36. The budgetary provision of $292,200 is to cover reimbursement for computer linkage to the United Nations Office at Geneva.

V. Reimbursement for central services

37. UNOPS will have the option to utilize the most cost-effective central services, including those of the United Nations Secretariat and/or UNDP, for which it will compensate the provider. Central service support will still be required by UNOPS, taking into account, however, the fact that a number of the functions related to accounts, finance and personnel administration now performed centrally will be carried out directly by UNOPS operating under specific delegation of authority from the Department of Administration and Management. This arrangement is expected to ensure cost-effective and efficient utilization of UNOPS resources for administrative support. Support services still expected to be provided centrally would include audit, budget, central accounts, insurance, legal, medical, payroll, personnel, passport/visa, security and treasury. For budgetary purposes, the cost of reimbursement for central services is estimated at the level of 12.2 per cent of the administrative budget for 1995. An amount of $4.4 million has been set aside for this purpose in the UNOPS budget. By the end of 1995, this amount will be reviewed in the light of experience.

W. Reimbursement to UNDP field offices

38. UNOPS will reimburse UNDP field offices for expenses incurred in providing support in the implementation of projects financed from cost-sharing contributions and management service agreements. An amount of $2.2 million has been set aside in the UNOPS budget for this purpose. No provisions have been included for this item under the DDSMS column since field office support for these activities is limited.